Twitter Thread by Steven Sinofsky



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Alt-view on Amazon global domination of all retail and the last company standing. :-)

Recent moves by Amazon are an indication not of domination but convergence towards the same drivers of retail success in prior generation. “Everyone eventually becomes their parents.” 1/n

Retail has always been generational. Retail success stories are a graveyard of iconic brand names. Just brutal in how they roll over every generation.

Here are a few from my own childhood that no longer exist.



Historically rollover is due to a secular change in how people both buy and sell stuff. We might call this disruption, but these changes are tied to transport, communication, suburbanization, etc. No mistake, there's innovation but in retail this is a response to secular change.

Sears famously was a catalog store (farms!) anchored in appliances, tools, etc. As fashion and shopping malls became big, Sears position would weaken.

Discount stores became a big thing, especially during down economies. That drove innovations like cheap house brands, bulk buys.

The stories of being "disrupted" in retail are as numerous as there are defunct retailers. Hey check out https://t.co/7dIEeqNP1f for a whole site of defunct retailers.

Behind the scenes all along there's been…retailing. It is a thing. Everyone's job is harder than it looks.

Retailing is location (where), finance (float!), display (finding), basket (quantity), categories (what to stock), assortment (brands), customer (full price, discount).

Every generation has generally brought innovation or "disruption" to some bundling of the core elements of retail. Even if from afar they look the same.

Stories then written about how a new model (or form factor) will come to dominate and end all others.

A funny thing happens…

As the new model begins to show age, the old lessons/approaches of retail take over.

Find a successful retailer that has not:

• shut stores b/c not every location worked
• started selling house brands
• began making money from financing
• changed core selling terms

Back to Amazon. Some recent Amazon success stories:

• Logistcs
• PRIME (especially free shipping)
• Basics
• And now Advertising

Logistics that Amazon has created is truly awe-inspiring.

To be in retail or tech in 80s/90s was to know Walmart's insane logistics. Anecdotes like scanning Pampers at the register would cause a warehouse palette to be placed on the next truck heading to that store were endless.

The scale is crazy big now. Walmart's scale was crazy big at the time too.

Now today's technology is hitting all the same scale limits. Remember Amazon's founding was to essentially be a virtual store. Wasn't long before warehouses showed up in every time zone. Just like WMT.

PRIME is a much loved innovation. Said another way though, PRIME is part of using loyalty and finance as a key part of retail.

Sears famously had a credit card. People would finance purchases that way and be part of special promos and incentives.

Over time pressure to make more from this "business" of Sears caused rising interest rate, credit quality to decline. A positive became a risk to biz.

No doubt over time basket of PRIME will be looked at as cost not benefit. How many items don't have PRIME these days?

Amazon Basics are awesome. Batteries, phone cables, and so on.

Literally every clothing department/retailer starts off carrying big name brands. They watch the data see what moves, then head to clothing mills and start the journey of house brands.

One day you go to the store and have trouble finding socks or t-shirts from your fav brand—the house brand is right in front of you. Or maybe your fav brand isn't even stocked any more.

This tension is part of every maturing retailer in every segment. No retailer escapes house.

Today's big thing is Amazon is creating a "new" business of advertising. ■ What is this? It is a program where sellers can push their merch higher up search results so customers see them.

Shocking.

How do you think anything shows up in a store? Buyers (ppl at retailer that stock stuff) don't just decide "hey let's get brand X". Placing Brand X in a store is not just a "product" choice, but a negotiation over terms and conditions. Over placement in store.

We think about supermarket shelves (P&G invented all that).

Consider innovations like Ralph Lauren's store within a store.

Or that fancy "Windows PC" station at BestBuy.

Or even an Apple Store at Yodabashi!

Or those Windows PC TV commercials featuring HP Elite XYZ notebooks.

Who pays for all those? Placement, advertising, even staffing in the store.

Well turns out you don't really know. It is all part of money going back and forth between retailers and mfg or distributors. Buy 1M of merch, spend 100K on signage, get 20K of training, 100K advert.

Untangling all this is a massive effort and literally what retail is all about. Would it surprise anyone that billions of dollars are spent between PC OEMs, PC retailers, Microsoft, and Intel. Maybe 6 people could actually trace all that money and figure out really who paid what.

Why? Because in retail the ultimate thing that matters is margin. While the Amazon saying is "your margin is my opportunity" it turns out this is a two way street.

Everyone in the retail pipeline gets/receives money multiple times in the process of making, stocking, selling.

This used to be called "cost of sale" and maybe Amazon's innovation will be to think about it differently and account for it as a business separately. That doesn't change that this is all about margin.

It might even accelerate pace to become like every other retailer ever. Why?

Because visibility of cost will make the end state even more visible. It will make it much clearer to the whole pipeline what is going on. Most important—Amazon itself will come to value this sooner.

Retail has always been brutal. I grew up in a family run retail business. Spiffs, 2% net 30, coop advert, etc. were all family discussions.

What we're seeing in Amazon is innovation for sure. But it is on a trajectory that retail has seemingly followed every generation. // END

PS/ I love love Amazon. Nearly every day I come home to some box on my doorstep.

But retail is a thing. It gets reinvented and then it re-converges on past best practices. A connected and networked world causes things to converge more rapidly every generation.

"Amazon: Retailers Gonna Retail" is this thread unrolled with additional thoughts and perspective if you would like to read more on the topic. ■ https://t.co/lrjl5igSm1